

AMENDED IN SENATE APRIL 17, 2006

**SENATE BILL**

**No. 1695**

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**Introduced by Senator Vincent**

February 24, 2006

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An act to amend Section 19604 of the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

SB 1695, as amended, Vincent. Horse racing: wagering.

Existing law authorizes advance deposit wagering, upon approval of the California Horse Racing Board. *Existing law authorizes racing associations and racing fairs to form a partnership, joint venture, or other affiliation in order to further the purposes of provisions relating to advance deposit wagering.*

~~This bill would make a technical change to this provision by incorporating a definition of parimutuel wagering provide that if such an affiliation is formed, the entity shall provide the board with comprehensive information regarding the organizational structure, relative roles and responsibilities, and overall financial solvency of the entity.~~

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 19604 of the Business and Professions
- 2 Code is amended to read:
- 3 19604. Notwithstanding any other provision of law, in
- 4 addition to parimutuel wagering, as defined in Section 19411,

1 otherwise authorized by this chapter, advance deposit wagering  
2 may be conducted upon approval of the board. The board may  
3 authorize any racing association or fair, during the calendar  
4 period it is licensed by the board to conduct a live racing meeting  
5 in accordance with the provisions of Article 4 (commencing with  
6 Section 19480), to accept advance deposit wagers or to allow  
7 these wagers through a betting system or a multijurisdictional  
8 wagering hub in accordance with the following:

9 (a) Racing associations and racing fairs may form a  
10 partnership, joint venture, or any other affiliation in order to  
11 further the purposes of this section. *If such an affiliation is*  
12 *formed, the entity shall provide the board with comprehensive*  
13 *information regarding the organizational structure, relative roles*  
14 *and responsibilities, and overall financial solvency of the entity.*

15 (b) As used in this section, “advance deposit wagering” means  
16 a form of parimutuel wagering in which a person residing within  
17 California or outside of this state establishes an account with a  
18 licensee, a board-approved betting system, or a board-approved  
19 multijurisdictional wagering hub located within California or  
20 outside of this state, and subsequently issues wagering  
21 instructions concerning the funds in this account, thereby  
22 authorizing the entity holding the account to place wagers on the  
23 account owner’s behalf. An advance deposit wager may be made  
24 only by the entity holding the account pursuant to wagering  
25 instructions issued by the owner of the funds communicated by  
26 telephone call or through other electronic media. The licensee, a  
27 betting system, or a multijurisdictional wagering hub shall ensure  
28 the identification of the account’s owner by utilizing methods  
29 and technologies approved by the board. Further, at the request  
30 of the board, any licensee, betting system, or multijurisdictional  
31 wagering hub located in California, and any betting system or  
32 multijurisdictional wagering hub located outside of this state that  
33 accepts wagering instructions concerning races conducted in  
34 California or accepts wagering instructions from California  
35 residents, shall provide a full accounting and verification of the  
36 source of the wagers thereby made, including the zone and breed,  
37 in the form of a daily download of parimutuel data to a database  
38 designated by the board. Additionally, when the board approves  
39 a licensee, a betting system, or a multijurisdictional wagering  
40 hub, whether located within California or outside of this state, to

1 accept advance deposit wagering instructions on any race or  
 2 races from California residents, the licensee, betting system, or  
 3 multijurisdictional wagering hub may be compensated pursuant  
 4 to a contractual agreement with a California licensee, in an  
 5 amount not to exceed 6.5 percent of the amount handled on a  
 6 race or races conducted in California, and in the case of a race or  
 7 races conducted in another jurisdiction, may be compensated in  
 8 an amount not to exceed 6.5 percent, plus a fee to be paid to the  
 9 host racing association not to exceed 3.5 percent, of the amount  
 10 handled on that race or races. The amount remaining after the  
 11 payment of winning wagers and after payment of the contractual  
 12 compensation and host fee, if any, shall be distributed as a  
 13 market access fee in accordance with subdivision (g). As used in  
 14 this section, “market access fee” means the contractual fee paid  
 15 by a betting system or multijurisdictional wagering hub to the  
 16 California licensee for access to the California market for  
 17 wagering purposes. As used in this section, “licensee” means any  
 18 racing association or fair, or affiliation thereof authorized in  
 19 subdivision (a).

20 (c) (1) The board shall develop and adopt rules to license and  
 21 regulate all phases of operation of advance deposit wagering for  
 22 licensees, betting systems, and multijurisdictional wagering hubs  
 23 located in California. Betting systems and multijurisdictional  
 24 wagering hubs located and operating in California shall be  
 25 approved by the board prior to establishing advance deposit  
 26 wagering accounts or accepting wagering instructions concerning  
 27 those accounts and shall enter into a written contractual  
 28 agreement with the bona fide labor organization that has  
 29 historically represented the same or similar classifications of  
 30 employees at the nearest horse racing meeting. Permanent state  
 31 or county employees and nonprofit organizations that have  
 32 historically performed certain services at county, state, or district  
 33 fairs may continue to provide those services, notwithstanding this  
 34 requirement.

35 (2) The board shall develop and adopt rules and regulations  
 36 requiring betting systems and multijurisdictional wagering hubs  
 37 to establish security access policies and safeguards, including,  
 38 but not limited to, the following:

39 (A) The betting system or wagering hub shall utilize the  
 40 services of a board-approved independent third party to perform

1 identity, residence, and age verification services with respect to  
2 persons establishing an advance deposit wagering account.

3 (B) The betting system or wagering hub shall utilize personal  
4 identification numbers (PINs) and other technologies to assure  
5 that only the accountholder has access to the advance deposit  
6 wagering account.

7 (C) The betting system or wagering hub shall provide for  
8 withdrawals from the wagering account only by means of a  
9 check made payable to the accountholder and sent to the address  
10 of the accountholder or by means of an electronic transfer to an  
11 account held by the verified accountholder or the accountholder  
12 may withdraw funds from the wagering account at a facility  
13 approved by the board by presenting verifiable personal and  
14 account identification information.

15 (D) The betting system or wagering hub shall allow the board  
16 access to its premises to visit, investigate, and place expert  
17 accountants and other persons it deems necessary for the purpose  
18 of ensuring that its rules and regulations concerning credit  
19 authorization, account access, and other security provisions are  
20 strictly complied with.

21 (3) The board shall prohibit advance deposit wagering  
22 advertising that it determines to be deceptive to the public. The  
23 board shall also require, by regulation, that every form of  
24 advertising contain a statement that minors are not allowed to  
25 open or have access to advance deposit wagering accounts.

26 (d) As used in this section, a “multijurisdictional wagering  
27 hub” is a business conducted in more than one jurisdiction that  
28 facilitates parimutuel wagering on races it simulcasts and other  
29 races it offers in its wagering menu.

30 (e) As used in this section, a “betting system” is a business  
31 conducted exclusively in this state that facilitates parimutuel  
32 wagering on races it simulcasts and other races it offers in its  
33 wagering menu.

34 (f) In order for a licensee, betting system, or  
35 multijurisdictional wagering hub to be approved by the board to  
36 conduct advance deposit wagering, it shall meet both of the  
37 following requirements:

38 (1) All wagers thereby made shall be included in the  
39 appropriate parimutuel pool of the host racing association or fair

1 under a contractual agreement with the applicable California  
2 licensee, in accordance with the provisions of this chapter.

3 (2) The amounts deducted from advance deposit wagers shall  
4 be in accordance with the provisions of this chapter.

5 (g) The amount received as a market access fee from advance  
6 deposit wagers, which shall not be considered for purposes of  
7 Section 19616.51, shall be distributed as follows:

8 (1) An amount equal to 0.0011 multiplied by the amount  
9 handled on advance deposit wagers originating in California for  
10 each racing meeting shall be distributed to the Center for Equine  
11 Health to establish the Kenneth L. Maddy Fund for the benefit of  
12 the School of Veterinary Medicine at the University of California  
13 at Davis.

14 (2) An amount equal to 0.0003 multiplied by the amount  
15 handled on advance deposit wagers originating in California for  
16 each racing meeting shall be distributed to the Department of  
17 Industrial Relations to cover costs associated with audits  
18 conducted pursuant to Section 19526 and for the purposes of  
19 reimbursing the State Mediation and Conciliation Service for  
20 costs incurred pursuant to this bill. However, if that amount  
21 would exceed the costs of the Department of Industrial Relations,  
22 the amount distributed to the department shall be reduced, and  
23 that reduction shall be forwarded to an organization designated  
24 by the racing association or fair described in subdivision (a) for  
25 the purpose of augmenting a compulsive gambling prevention  
26 program specifically addressing that problem.

27 (3) An amount equal to 0.00165 multiplied by the amount  
28 handled on advance deposit wagers that originate in California  
29 for each racing meeting shall be distributed as follows:

30 (A) One-half of the amount shall be distributed to supplement  
31 the trainer-administered pension plans for backstretch personnel  
32 established pursuant to Section 19613. Moneys distributed  
33 pursuant to this subparagraph shall supplement, and not supplant,  
34 moneys distributed to that fund pursuant to Section 19613 or any  
35 other provision of law.

36 (B) One-half of the amount shall be distributed to the welfare  
37 fund established for the benefit of horsemen and backstretch  
38 personnel pursuant to subdivision (b) of Section 19641. Moneys  
39 distributed pursuant to this subparagraph shall supplement, and

1 not supplant, moneys distributed to that fund pursuant to Section  
2 19641 or any other provision of law.

3 (4) With respect to wagers on each breed of racing that  
4 originate in California, an amount equal to 2 percent of the first  
5 two hundred fifty million dollars (\$250,000,000) of handle from  
6 all advance deposit wagers originating from within California  
7 annually, an amount equal to 1.5 percent of the next two hundred  
8 fifty million dollars (\$250,000,000) of handle from all advance  
9 deposit wagers originating from within California annually, and  
10 an amount equal to 1 percent of handle from all advance deposit  
11 wagers originating from within California in excess of five  
12 hundred million dollars (\$500,000,000) annually, shall be  
13 distributed as satellite wagering commissions. The satellite  
14 wagering facility commissions calculated in accordance with this  
15 subdivision shall be distributed to each satellite wagering facility  
16 and racing association or fair in the zone in which the wager  
17 originated in the same relative proportions that the satellite  
18 wagering facility or the racing association or fair generated  
19 satellite commissions during the previous calendar year. In the  
20 event of a reduction in the satellite wagering commissions,  
21 pursuant to this section, the benefits therefrom shall be  
22 distributed equitably as purses and commissions to all  
23 associations and racing fairs generating advance deposit wagers  
24 in proportion to the handle generated by those associations and  
25 racing fairs. For purposes of this section, the purse funds  
26 distributed pursuant to Section 19605.72 shall be considered to  
27 be satellite wagering facility commissions attributable to  
28 thoroughbred races at the locations described in that section.

29 (5) With respect to wagers on each breed of racing that  
30 originate in California for each racing meeting, after the payment  
31 of contractual obligations to the licensee, the betting system, or  
32 the multijurisdictional wagering hub, and the distribution of the  
33 amounts set forth in paragraphs (1) through (4), inclusive, the  
34 amount remaining shall be distributed to the racing association or  
35 fair that is conducting live racing on that breed during the  
36 calendar period in the zone in which the wager originated, and  
37 this amount shall be allocated to that racing association or fair as  
38 commissions, to horsemen participating in that racing meeting in  
39 the form of purses, and as incentive awards, in the same relative  
40 proportion as they were generated or earned during the prior

1 calendar year at that racing association or fair on races conducted  
2 or imported by that racing association or fair after making all  
3 deductions required by applicable law. Purse funds generated  
4 pursuant to this section may be utilized to pay 50 percent of the  
5 total costs and fees incurred due to the implementation of  
6 advance deposit wagering. "Incentive awards" shall be those  
7 payments provided for in Sections 19617.2, 19617.7, 19617.8,  
8 19617.9, and 19619. The amount determined to be payable for  
9 incentive awards shall be payable to the applicable official  
10 registering agency and thereafter distributed as provided in this  
11 chapter. If the provisions of Section 19601.2 apply, then the  
12 amount distributed to the applicable racing associations or fairs  
13 from advance deposit wagering shall first be divided between  
14 those racing associations or fairs in direct proportion to the total  
15 amount wagered in the applicable zone on the live races  
16 conducted by the respective association or fair. Notwithstanding  
17 this requirement, when the provisions of subdivision (b) of  
18 Section 19607.5 apply to the 2nd District Agricultural  
19 Association in Stockton or the California Exposition and State  
20 Fair in Sacramento, then the total amount distributed to the  
21 applicable racing associations or fairs shall first be divided  
22 equally, with 50 percent distributed to applicable fairs and 50  
23 percent distributed to applicable associations. For purposes of  
24 this subdivision, the zones of the state shall be as defined in  
25 Section 19530.5, except as modified by the provisions of  
26 subdivision (f) of Section 19601, and the combined central and  
27 southern zones shall be considered one zone.

28 Notwithstanding any provision of this section to the contrary,  
29 the distribution of the market access fee, other than the  
30 distributions specified in paragraph (1) or (2), may be altered  
31 upon the approval of the board, in accordance with an agreement  
32 signed by all parties receiving a distribution under paragraphs (4)  
33 and (5).

34 (h) Notwithstanding any provisions of this section to the  
35 contrary, all funds derived from advance deposit wagering that  
36 originate from California for each racing meeting on out-of-state  
37 and out-of-country thoroughbred races conducted after 6 p.m.,  
38 Pacific time, shall be distributed in accordance with this  
39 subdivision. With respect to these wagers, 50 percent of the  
40 amount remaining after the payment of contractual obligations to

1 the multijurisdictional wagering hub, betting system, or licensee  
2 and the amounts set forth in paragraphs (1) through (5),  
3 inclusive, of subdivision (g) shall be distributed as commissions  
4 to thoroughbred associations and racing fairs, as thoroughbred  
5 and fair purses, and as incentive awards in accordance with  
6 subdivision (g), and the remaining 50 percent, together with all  
7 funds derived for each racing meeting from advance deposit  
8 wagering originating from California out-of-state and  
9 out-of-country harness and quarter horse races conducted after 6  
10 p.m., Pacific time, shall be distributed as commissions on a pro  
11 rata basis to the applicable licensed quarter horse association and  
12 the applicable licensed harness association, based upon the  
13 amount handled instate, both on- and off-track, on each breed's  
14 own live races in the previous year by that association, or its  
15 predecessor association. One-half of the amount thereby received  
16 by each association shall be retained by that association as a  
17 commission, and the other half of the money received shall be  
18 distributed as purses to the horsemen participating in its current  
19 or next scheduled licensed racing meeting.

20 (i) Notwithstanding any provisions of this section to the  
21 contrary, all funds derived from advance deposit wagering which  
22 originate from California for each racing meeting on out-of-state  
23 and out-of-country nonthoroughbred races conducted before 6  
24 p.m., Pacific time, shall be distributed in accordance with this  
25 subdivision. With respect to these wagers, 50 percent of the  
26 amount remaining after the payment of contractual obligations to  
27 the multijurisdictional wagering hub, betting system, or licensee  
28 and the amounts set forth in paragraphs (1) through (5),  
29 inclusive, of subdivision (g) shall be distributed as commissions  
30 as provided in subdivision (h) for licensed quarter horse and  
31 harness associations, and the remaining 50 percent shall be  
32 distributed as commissions to the applicable thoroughbred  
33 associations or fairs, as thoroughbred and fair purses, and as  
34 incentive awards in accordance with subdivision (g).

35 (j) A racing association, a fair, or a satellite wagering facility  
36 may accept and facilitate the placement of any wager from a  
37 patron at its facility that a California resident could make through  
38 a betting system or multijurisdictional wagering hub duly  
39 offering advance deposit wagering in this state, and the facility  
40 accepting the wager shall receive a 2-percent commission on that

1   wager in lieu of any distribution for satellite commissions  
2   pursuant to subdivision (g).

3   (k) Any disputes concerning the interpretation or application  
4   of this section shall be resolved by the board.

5   This section shall remain in effect only until January 1, 2008,  
6   and as of that date is repealed, unless a later enacted statute, that  
7   is enacted before January 1, 2008, deletes or extends that date.

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